DEPARTMENT OF HEALTH AND HUMAN SERVICES
HEALTH CARE FINANCING ADMINISTRATION

FORM APPROVED
OMB NO. 0938-0193

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL

FOR: Centers for Medicare and Medicaid Services

1. TRANSMITTAL NUMBER: **04 – 22**

2. STATE: **TEXAS**

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)

TO: REGIONAL ADMINISTRATOR
HEALTH CARE FINANCING ADMINISTRATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE: **September 1, 2004**

5. TYPE OF PLAN MATERIAL *(Circle One)*:

☐ NEW STATE PLAN ☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN ☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT *(Separate Transmittal for each amendment)*

6. FEDERAL STATUTE/REGULATION CITATION:
Title XIX, Social Security Act, as amended

7. FEDERAL BUDGET IMPACT: SEE ATTACHMENT
a. FFY **2005** **$ 0**
b. FFY **2006** **$ 0**

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:
SEE ATTACHMENT

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT *(If Applicable)*:
SEE ATTACHMENT

10. SUBJECT OF AMENDMENT:
This amendment changes references to HCFA to CMS, adds the comparison of the per diem rate to the Support, Maintenance, and Treatment (SMT) rate in the methodology changes the rate period to Sept 1 through August 31, amends the reimbursement methodology to include setting rates biennially and deletes page 13b, identical to 13a.

11. GOVERNOR'S REVIEW *(Check One)*:

☐ GOVERNOR'S OFFICE REPORTED NO COMMENT
☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL
☒ OTHER, AS SPECIFIED:
Sent to Governor's Office this date. Comments, if any, will be forwarded upon receipt.

12. SIGNATURE OF STATE AGENCY OFFICIAL:

13. TYPED NAME:
David J. Balland

14. TITLE:
Interim State Medicaid/CHIP Director

15. DATE SUBMITTED:
September 30, 2004

16. RETURN TO:
David J. Balland
Interim State Medicaid/CHIP Director
Post Office Box 13247
Austin, Texas 78711

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED: 9-30-04

18. DATE APPROVED: NOV – 2 2004

PLAN APPROVED – ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:
SEP – 1 2004

20. SIGNATURE OF REGIONAL OFFICIAL

21. TYPED NAME:
CARMEN Keller

22. TITLE:
DD Deputy Director, CMSO

23. REMARKS:

Reimbursement Methodology: The Health and Human Services Commission (HHSC) or its designee determines reimbursement rates at least biennially. The statewide prospective rate for inpatient hospital services provided to individuals aged 65 and older in institutions for mental disease (IMD) will be available to all qualified and enrolled IMD service providers. This rate includes all allowable costs under Medicare payment principles.

Rate Periods

The rate period begins September 1st and ends August 31st of the following year. Annually, each participating hospital (hereafter referred to as an "IMD provider" is required to submit to HHSC or its designee a copy of its Medicare cost report for its most recent fiscal year ending prior to September 1st. Each IMD provider is required to identify in its cost report as a subunit those Medicare-certified units on which IMD services were provided (hereafter referred to as "IMD units"). The Medicare cost reports are reviewed by HHSC or its designee to assure that the costs to be used for calculating each provider's average per diem cost for IMD services are allowable under Medicare payment principles and are only those costs incurred for care and treatment provided to persons 65 years of age and older and occupying a Medicare-certified bed.

Upon completion of the reviews of cost reports, and prior to calculating average per diem costs for each provider, both cost reports and prior payment histories are reviewed. To insure the integrity of the data and avoid bias in the resulting rate due to low volume and other inefficiencies, providers will be eliminated from the database for any one or more of the following reasons: (a) being in operation fewer than 90 calendar days during the previous cost reporting period; (b) having an occupancy rate on its IMD units of less than 90% for 50% or more of the days covered during the previous cost reporting period; (c) or individually accounting for fewer than 5% of the total days of care reimbursed by Medicaid as IMD services during the previous cost reporting period.

For those IMD providers left in the database after the review of cost reports and deletion for the above-named reasons, HHSC or its designee, using the Medicare cost report, calculates for each IMD provider an average per diem cost for IMD services (the "historical per diem cost").

HHSC or its designee then adjusts each IMD provider's historical per diem cost for IMD services to the future rate period by applying a cost-of-living index. The index used to adjust the per diem cost of each IMD provider is the Centers for Medicare and Medicaid Services (CMS) Market Basket Forecast Excluded Hospital Input Price Index (as reported in the Dallas Regional Medical Services Letter for the federal fiscal quarter ending in December of the year preceding the future rate period). The percentage used for adjustments to each IMD provider's average per diem cost is prorated for the future rate period, using 1/3rd of the forecast for the calendar year in which the rate period begins (September through December) plus 2/3^{rds} of the forecast for the next calendar year (January through August).

After adjusting the average per diem cost for each IMD provider, the average per diem costs of all IMD providers remaining in the database are arrayed from high to low. The median (50th percentile) average per diem cost is selected as the prospective reimbursement for the future reimbursement period. If the 50th percentile falls between IMD providers, then the immediately higher average per diem cost will be selected as the reimbursement. The prospective reimbursement rate is compared to the Support, Maintenance and Treatment (SMT) rate. The SMT rate is calculated for each provider, the rate is calculated by taking the total cost of care and dividing it by the total days of service for each provider. All IMD providers will be paid the lower of the prospective rate or SMT rate for each day during the next reimbursement period that IMD services are provided to an eligible individual.